

ACTION AF-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00
	INL-00	DODE-00	DOEE-00	DATE-00	DS-00	EB-00	EUR-00
	EXIM-01	E-00	FAAE-00	VC-00	FRB-00	H-00	TEDE-00
	INR-00	ITC-01	VCE-00	M-00	AC-00	NRC-00	NSAE-00
	NSCE-00	OES-00	OMB-00	NIMA-00	MCC-00	GIWI-00	ACE-00
	FMPC-00	SP-00	SSO-00	SS-00	STR-00	TRSE-00	BEG-00
	R-00	EPAE-00	IIP-00	SCRS-00	DSCC-00	PRM-00	DRL-00
	G-00	NFAT-00	SAS-00	SWCI-00	/003W		

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FM AMEMBASSY NDJAMENA
TO SECSTATE WASHDC 2333
INFO AMEMBASSY ABUJA
AMEMBASSY BAMAKO
AMEMBASSY COTONOU
AMEMBASSY DAKAR
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY NIAMEY
AMEMBASSY PARIS
AMEMBASSY YAOUNDE

C O N F I D E N T I A L NDJAMENA 001431

SIPDIS

DEPT FOR AF, EB; DOE FOR CAROLYN GAY AND GEORGE PEARSON,
TREASURY FOR OTA, LONDON AND PARIS FOR AFRICA WATCHERS

E.O. 12958: DECL: 09/23/2015
TAGS: ECON EFIN ENRG PGOV CD
SUBJECT: CHADIANS SEEK GREATER FLEXIBILITY WITH NEW OIL
ROYALTIES

REF: NDJAMENA 1357 AND PREVIOUS

Classified By: Economic/Consular Officer Jitu Sardar for reasons 1.4 (b)
) and (d).

¶1. (C) SUMMARY: The GOC has formally asked Esso to deposit revenues from its new satellite field directly into the Government's Public Treasury, rather than follow the existing revenue management process, which stipulates placement in an escrow account. Esso has declined to adhere to this request, and has formally informed the World Bank of this development.

The IMF Representative has asked the Government to reverse this decision. While revenues from the new field are technically not covered by the petroleum law governing the project, the Government's request sends a negative signal about its intentions for managing revenues from future discoveries. END SUMMARY.

¶2. (C) On September 22, Esso Public Affairs Advisor Miles Shaw informed E/C Officer that Minister of Petroleum Oumar Hassan had sent a formal request to the Consortium to deposit all royalties from the new oil fields in the Doba region directly into the Public Treasury, rather than follow the current revenue management process that required Esso to deposit royalties into the CitiBank escrow account. Shaw stated that the Consortium would not agree to the Government's request, as Esso was already committed to following the current financial mechanism, and could not deviate from its current arrangements at this time. Esso has also formally informed the World Bank of the Minister's letter. Shaw noted that the company is extremely concerned about the implications of this request for the revisions of the petroleum law in 2006.

¶3. (C) On September 23, IMF Resident Representative Wayne Camard stated to E/C Officer that he was able to confirm this request after speaking to representatives in the Public Treasury and members of the President's economic advisory team. According to Camard, he asserted to all the officials that the GOC should reconsider its request to Esso, as the international donors would begin to question the Government's commitment to the transparent measures stipulated in the revenue management process. All GOC officials told Camard that they would look into the matter, and that the Government respected the revenue management laws. Camard said that he suspected certain GOC officials were trying to take advantage of the absence of Finance Minister Abbas Tolli (who is head of the Chadian delegation at the IMF-World Bank meetings in Washington) to exert control over the new royalties.

¶4. (U) The revenues at issue come from the Nya field that was brought online in June. The field consists of four wells and is adjacent to the Miandoum field, one of three that have been producing since the project got underway in 2003. Chad's petroleum law governing oil revenues strictly applies only to those three existing fields. Esso is also working to

develop the much larger Moundouli field to the west. These efforts are part of a push to increase production. Average daily production this year has been only just over 180,000 barrels per day, much less than the over 200,000 barrels per day originally forecast.

¶5. (C) COMMENT: Chad, strapped for cash as always, is chaffing at the constraints imposed by the current petroleum law. While funds pile up in the escrow accounts waiting to be spent on projects in the designated priority sectors, civil servants are going unpaid and the Government feels under pressure to address needs in other sectors. But by attempting to circumvent the existing arrangements, the GOC sends a negative signal concerning its intentions for future oil revenues, and verifies some of the concerns that NGO groups have been highlighting. While the dollar amount of the royalties being considered is small, the symbolic effect of the Government's actions is tremendous. It is not clear who within the Government initiated this process. It is possible that new GOC officials, who are still educating themselves on the Oil Revenue laws and are inexperienced on the political implications of such a decision, pushed this request forward without considering the ramifications. In our recent meetings (septel), the new petroleum minister as well as the National Coordinator of the oil project have

assured us of Chad's intentions to manage revenues from new fields "in the spirit" of the current arrangements. However, if the GOC is truly committed to altering the flow of oil revenues, its decision does not bode well for negotiations in 2006 on revisions to the petroleum law. The Embassy will continue to highlight our concern over any deviation from the current process. We believe the Chadian delegation in Washington should also hear from Treasury and State officials that we are concerned with its latest request to Esso.

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